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SIPDIS

TREASURY FOR JONATHAN ROSE

SENSITIVE  
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SUBJECT: DEVELOPMENT IN TURKEY'S SOUTHEAST

REF: ADANA 00244

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11. (U) Summary. On November 22, TESEV, the Turkish Economic and Social Studies Foundation, a leading Turkish NGO, and the UNDP released a joint study identifying a series of short-term policies to address socio-economic problems in Southeast Turkey. The study offered few new insights as to development approaches, but did provide interesting comparisons between Turkey's Southeastern provinces and other similarly impoverished world regions based on the UNDP's Human Development Index. Calling for "immediate government intervention" to ameliorate the extreme poverty and unemployment in Turkey's Southeast, the study's authors advised the report's recommendations be implemented "at once and simultaneously." Citing an estimated \$1.7 billion price tag for implementation of social policy programs alone, the study ignores altogether the GOT's limited ability to intervene financially. In general, the facts on the ground suggest that development in Southeast Turkey may be better served by the government providing better security and then getting out of the way to let the private sector do its job. End Summary.

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TESEV/UNDP FINDINGS  
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12. (U) The study states that all measurable indicators point to Eastern and Southeastern Anatolia as the two least developed regions in Turkey. Provinces in those areas continuously rank lowest on socio-economic development among Turkey's eighty-one provinces. Per capita public investment and per capita GDP in the provinces are about one third of the national average. Although the region has ten percent of the national population, it contributes only six percent of the GDP. The study also notes that about sixty percent of the population in these provinces lives below the poverty line.

13. (U) Noting Turkey's obligation under the EU ascension process to reduce regional inequalities, the study compared the region's twenty-one provinces with various countries according to the UNDP's Human Development Index Values for Provinces (HDI). Bayburt, for example, with the highest HDI score among the twenty-one provinces, corresponds to Mongolia and Bolivia in terms of rank and development. Most noteworthy is the fact the average HDI score for all the provinces corresponds to Morocco, ranked 124th of 177 countries on HDI. The study indicates that ten percent of Turkey's population currently lives with an HDI-ranking roughly the same as Morocco's. Perhaps more telling, the study points to per capita income levels in Eastern Anatolian provinces, which range between seven and sixteen percent of the European Union average, as

representing the greatest gap between EU candidate and member countries.

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RECOMMENDATIONS FOR DEVELOPMENT  
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¶4. (U) The study identifies agriculture, animal husbandry, private enterprise, community-driven development, border trade, and tourism as areas of immediate focus for development. Acknowledging the unfeasibility of a uniform agricultural policy, the study recommends development and implementation of rural development projects devoted to enhancing local capacity. Notably, the study recommends ending the government's regional investment scheme--which the IMF has also opposed--as costly and ineffective. The study proposes public investment focused on infrastructure improvements and argues that enhancing the physical appearance of the region's cities through "community-driven development campaigns"--activities such as repairing and painting government house, city halls and schools--would attract a more highly trained and qualified workforce to the provinces in the short-term. Characterizing trade with bordering countries as crucial for the region, the study proposes the construction of "Border Trade Centers" to facilitate trade. Based on the approximately 34,000 Iranians tourists who traveled to the provinces in 2001, despite minimal hotel facilities, the study encourages further public investment in tourism to attract additional visitors.

¶5. (U) Education and health care measures were also key areas cited, and specific recommendations included providing hot school lunches, subsidizing school transportation costs, and providing free textbooks. Given that only a small percentage of the region's population is employed in the formal sector, the study argues direct income transfers will be one of the most effective instruments of social policy. The study advocates for the elimination of barriers to qualifying for the government's "green card" insurance program, and also calls for free primary healthcare services. The study estimated the cost of implementing the social policy measures

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alone--free books, free lunches, etc.--to be \$1.7 billion.

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REACTION AND REALITY CHECK  
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¶6. (U) Representatives of several political parties, including the CHP, AKP, and DYP, reacted to the study's recommendations while attending a recent panel discussion. The panel's moderator, economist Guven Sak, critical of the study's failure to prioritize, pointed out the impossibility of pursuing all angles at once. AKP representative and panelist Dengir Mir Mehmet Firat defended his party's record in the SE, citing efforts to bring more authority to local government, to increase the number of teachers, and to discourage government doctors from making transfer requests. He also portrayed the SE problem as one caught up in the relationship of the individual to the state and challenged the priority of "Father State" over the realization of individual rights. DYP representative and panelist Binhan Oguz agreed that focus on religious and winter tourism could be a major area of development for the region. Panelist Mehmet Keciciler of Anavatan described the citizens of the Southeast as loyal, even as they claimed Kurdish descent and spoke Kurdish. Calling for the elimination of the "village guard" and the lifting of restrictions on freedom of speech, including on the Kurdish language, he also asked why Turkey remained afraid to broadcast in Kurdish, instead leaving satellite broadcasts to the PKK. CHP representative deputy and Algan Hacaloglu described a newfound political will to implement the report's findings.

¶7. (U) During a Q & A session, CHP Vice Chairman Onur Oymen noted the conspicuous absence from the study of any discussion of terrorist activities in the region. Kudbettin Arzu of the Diyarbakir Chamber of Commerce found significant the report's recommendation for free or reduced utilities to create a culture of responsible bill-paying citizens.

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COMMENT  
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18. (SBU) No one disputes the need for development of Turkey's most impoverished provinces. While the study usefully highlights the shocking disparities between the Southeast and Western Turkey, and advocates urgent focus on these issues, the question is how to go about addressing the region's problems in the most efficient and cost-effective manner if the region is to achieve long-term development success. Far from shedding new light on development approaches, the study recycles old ideas in abstraction from another underlying cause of the poverty and underdevelopment in the region, namely the PKK-related security problem. While this may be an understandable effort to avoid potential controversy, it also avoids the question of the chicken-egg relationship between security and growth. There is also no discussion of how the recommended programs would be funded, given current constraints on the Government budget, particularly the investment budget. The Government's track record with earlier large-scale infrastructure projects in the Southeast, such as the Southeast Anatolia Project (GAP), gets mixed reviews from development experts. Successes on the ground in Southeast cities like Gaziantep (reftel) suggest that creating stable conditions for small to medium sized businesses to grow and create jobs might be a more reasonable objective than massive government-funded public investments. End comment.

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